

**REPORT OF THE AUDIT OF THE  
HARDIN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HARDIN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Hardin County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, except for the effects of management of Hardin County Fiscal Court having adopted the modified cash basis of accounting to present the financial statements of the governmental activities, certain business-type activities, major governmental funds: General Fund, Road and Bridge Fund, and Jail Fund, two of the major enterprise funds: Jail Canteen Fund and Solid Waste Fund, and the aggregated non-major governmental funds, based on our audit and the reports of the other auditors, of the financial statements of Hardin County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$152,036,072 as of June 30, 2004. The fiscal court had unrestricted net assets of \$12,643,418 in its governmental activities as of June 30, 2004, with total net assets of \$34,545,531. In its enterprise fund, total net cash and cash equivalents were \$12,927,006 with total net assets of \$117,490,541. The fiscal court's discretely presented component unit had net assets of \$80,798 as of June 30, 2004. The discretely presented component unit had net cash and cash equivalents of \$277,835. The fiscal court's total debt principal as of June 30, 2004 was \$55,117,395 with \$2,758,338 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Harry L. Berry, Hardin County Judge/Executive  
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hardin County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the Hardin County, Kentucky's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hardin County, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hardin Memorial Hospital, a major enterprise fund, and the Hardin County Planning and Development Commission, the discretely presented component unit opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Hardin Memorial Hospital and Hardin County Planning and Development Commission are based on the reports of the other auditors.

The Hardin Memorial Hospital represents 87 percent and 95 percent, respectively, of the assets and revenues of the business-type activities opinion unit. The Hardin County Planning and Development Commission represents 100 percent, respectively, of the assets and revenues of the discretely presented component unit opinion unit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



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Management of Hardin County Fiscal Court has adopted the modified cash basis of accounting, as described in Note 1, to present the financial statements of the governmental activities, certain business-type activities, major governmental funds: General Fund, Road and Bridge Fund, and Jail Fund, two of the major enterprise funds: Jail Canteen Fund and Solid Waste Fund, and the aggregated non-major governmental funds while management of the Hardin Memorial Hospital, a major enterprise fund, and Hardin County Planning and Development Commission, a discretely presented component unit, have adopted the accrual basis of accounting. The financial statements, because of the two different bases of accounting presented, do not include certain accruals required by accounting principles generally accepted in the United States of America. The amounts by which these accruals would affect the financial statements are not reasonably determinable.

In our opinion, except for the effects, if any, of the matters described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Road and Bridge Fund, the Jail Fund, the Jail Canteen Fund, the Solid Waste Fund, and the aggregated non-major governmental funds of Hardin County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Hardin Memorial Hospital, and the discretely presented component unit of Hardin County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, except for the effects of exclusion of certain accruals due to the combined financial statements being presented on the modified cash basis of accounting, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2005 on our consideration of Hardin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 13, 2005



HARDIN COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

Harry L. Berry	County Judge/Executive
Bill Brandenburg	Magistrate
Phillip Crady	Magistrate
Roy Easter	Magistrate
Garry King	Magistrate
Doug Goodman	Magistrate
Bill Hay	Magistrate
John Wiseman	Magistrate
Tom Jagers	Magistrate

**Other Elected Officials:**

Ken Howard	County Attorney
Louis Lawson	Jailer
Kenny Tabb	County Clerk
Ralph Baskett	Circuit Court Clerk
Charlie Williams	Sheriff
Teri Bennett	Property Valuation Administrator
Bill Lee	Coroner

**Appointed Personnel:**

Steve W. Smith	Deputy County Judge/Executive
Carolyn K. Ritchie	County Treasurer

**Harry L. Berry**  
*Hardin County Judge/Executive*

Steve W. Smith  
*Deputy Judge/Executive*

Carolyn K. Ritchie  
*County Treasurer*



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**Magistrates:**  
Bill Brandenburg  
Tom Jagers  
Bill Hay  
John Wiseman  
Garry King  
Roy Easter  
Douglas H. Goodman  
Phillip Crady

## **Management's Discussion and Analysis**

### **June 30, 2004**

The discussion and analysis of Hardin County, Kentucky's financial performance provides an overall review of the County's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to review the County's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the County's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

### **FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at June 30, 2004, by \$152 million. This amount includes \$113 million related to Hardin Memorial Hospital. Of this amount, \$68.3 million may be used to meet the government's ongoing obligations to its citizens and creditors; \$15.4 million is related to Hardin County Government and \$52.9 million is related to Hardin Memorial Hospital.
- The County's total net assets increased by \$7.5 million.
- At June 30, 2004, the County's governmental funds reported combined ending fund balances of \$13.5 million. Of this amount, \$12.7 million was available for spending at the government's discretion. Of the \$12.7 million, \$5.9 million was designated as Hospital Board Designated funds.
- At June 30, 2004, unreserved fund balance for the General Fund was \$9.7 million, which is approximately 130% of total General Fund annual expenditures. Of the \$9.7 million, \$3.8 million was undesignated and \$5.9 million was designated as Hospital Board Designated funds.
- The County's total long-term obligations at June 30, 2004, were \$55.1 million. Obligations related to Hardin County Government were \$38.5 million and obligations related to Hardin Memorial Hospital were \$16.6 million.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Basis of accounting.** The County presents its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

One of the County's blended component units, Hardin Memorial Hospital, and its discretely presented component unit, Hardin County Planning and Development Commission, present their financial statements in accordance with generally accepted accounting principles.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Component units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column of the government-wide financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. The County's discretely presented component units issue separate audited financial statements which are available from the County Treasurer.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by taxes, license fees and permits, user charges and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, protection to persons and property, general health and sanitation, social services, recreation and culture and the Hardin County Building Commission. The business-type activities of the County include solid waste operations, Hardin Memorial Hospital (a blended component unit), and the jail canteen fund. Fixed assets and related debt are also supported by the above revenue sources.

The government-wide financial statements can be found on pages 16 - 20 of this report.

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental and proprietary. The proprietary funds are the Solid Waste Fund, Hardin Memorial Hospital (a blended component unit), and the Jail Canteen Fund. All other activities of the County are included in the governmental funds.

The basic fund financial statements can be found on pages 22 - 35 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 – 68 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$152 million as of June 30, 2004.

The largest portion of the County's net assets reflects its investment in infrastructure and capital assets (e.g., land, buildings, vehicles, equipment, furniture and books, and construction in progress), less any related debt used to acquire those assets that is outstanding. The County uses these capital assets to provide services to its citizens and customers; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The current year's financial statements include the Hardin Memorial Hospital as a blended component unit. Attempting to compare this year's data with last year's would be misleading to the reader; however the County looks forward to offering comparative data in the future.

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**(Table 1)**  
**Summary of Net Assets**  
**as of June 30, 2004**

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 13,447,944	\$ 34,304,871	\$ 47,752,815
Capital assets	41,476,898	134,959,420	176,436,318
Total Assets	54,924,842	169,264,291	224,189,133
Long-term liabilities	19,760,773	32,598,284	52,359,057
Other liabilities	618,538	19,175,466	19,794,004
Total Liabilities	20,379,311	51,773,750	72,153,061
Net Assets:			
Invested in capital assets, net of related debt	21,097,587	56,914,585	78,012,172
Restricted	804,526	4,874,812	5,679,338
Unrestricted	12,643,418	55,701,144	68,344,562
Total Net Assets	\$ 34,545,531	\$ 117,490,541	\$ 152,036,072

Governmental activity unrestricted net assets, the portion of net assets used to finance day-to-day governmental operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise 36.5% of total governmental net assets. Restricted net assets, those restricted mainly for special purposes, comprise 2.3% of total governmental net assets. Investment in governmental capital assets comprises 61.2% of total governmental net assets.

Business-type activity unrestricted net assets, the portion of net assets used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise 47.4% of total business-type net assets. Restricted net assets, those restricted mainly for capital projects and debt service comprise 4.1% of total business-type net assets. Investment in business-type capital assets comprises 48.5% of total business-type net assets.

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

(Table 2)  
**Changes in Net Assets**  
**Year Ended June 30, 2004**

	Governmental Activities	Business-type Activities	Total Primary Government
<b>REVENUES:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 5,050,763	\$ 154,443,728	\$ 159,494,491
Operating grants and contributions	3,312,458	57,334	3,369,792
Capital grants and contributions	842,427	-	842,427
<b>General revenues:</b>			
Property taxes	3,908,075	-	3,908,075
Motor vehicle tax	523,754	-	523,754
Other taxes	858,119	-	858,119
Excess fees	704,798	-	704,798
Unrestricted investment earnings	162,917	1,752,585	1,915,502
Realized gain on investments	220,305	-	220,305
Net unrealized loss on investments	-	(1,345,552)	(1,345,552)
Gain on capital assets traded	17,693	-	17,693
Capital assets purchased by Sheriff	77,652	-	77,652
Donations	5,380	-	5,380
Miscellaneous	470,486	175,693	646,179
<b>Total revenues</b>	<b>16,154,827</b>	<b>155,083,788</b>	<b>171,238,615</b>
<b>EXPENSES</b>			
<b>Program Activities</b>			
<b>Primary Government:</b>			
General government	3,023,346	-	3,023,346
Protection to persons and property	7,095,950	-	7,095,950
General health and sanitation	274,562	-	274,562
Social services	407,969	-	407,969
Recreation and culture	699,467	-	699,467
Roads	1,881,320	-	1,881,320
Capital outlay	455,992	-	455,992
Interest costs	437,048	-	437,048
Fringe benefits	1,788,864	-	1,788,864
<b>Business-type Activities:</b>			
Jail canteen	-	240,765	240,765
Solid waste	-	5,416,999	5,416,999
Hardin Memorial Hospital	-	141,983,313	141,983,313
<b>Total expenses</b>	<b>16,064,518</b>	<b>147,641,077</b>	<b>163,705,595</b>
Transfers	627,493	(627,493)	-
Increase in net assets	\$ 717,802	\$ 6,815,218	\$ 7,533,020



**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Governmental Activities**

General government comprises 18.8%, protection to persons and property comprises 44.2%, general health and sanitation comprises 1.7%, social services comprises 2.5%, recreation and culture comprises 5.4%, roads comprises 11.7% and fringe benefits comprises 11.1% of governmental program expenses for a total of 95.4% of general government expenses. The remaining expense for interest and non-capitalized capital outlay account for the remaining 4.6% of total governmental activities expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. The net cost shows the financial burden/benefit that was placed/received on/by the County's taxpayers by each of these functions. The numbers in Table 3 have been adjusted for assets capitalized and depreciation expense and do not reflect actual cash flow.

**(Table 3)**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>Total Cost</b>	<b>Net Cost</b>
	<b>of Services</b>	<b>of Services</b>
	<b>2004</b>	<b>2004</b>
General government	\$ 3,023,346	\$ (2,488,597)
Protection to persons and property	7,095,590	(1,516,480)
General health and sanitation	274,562	(255,681)
Social services	407,969	190
Recreation and culture	699,467	(579,893)
Roads	1,881,320	136,765
Capital outlay	455,992	(369,310)
Interest costs	437,048	3,000
Fringe benefits	1,788,864	(1,788,864)
<b>Total expenses</b>	<b>\$ 16,064,158</b>	<b>\$ (6,858,870)</b>

**Hardin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Business-Type Activities**

The business-type activities include the Jail Canteen, Solid Waste, and Hardin Memorial Hospital operations. Hardin Memorial Hospital was included as a blended component unit for the first time for the fiscal year ended June 30, 2004.

- Jail canteen fund operating revenues increased \$106,498 or 47%. Operating expenses decreased \$73,019 or 25%. The jail added approximately 150 restricted custody beds in 2004.
- Solid waste fund operating revenues increased \$1,222,204 or 21%. Operating expenses increased \$1,249,886 or 37%. The County continues to expand the solid waste landfill which leads to increased tonnage resulting in higher revenue and operating expenses.
- Hardin Memorial Hospital operating revenues increased \$11,393,352 or 8.4%. Operating expenses increased \$10,851,243 or 8.3%.

**The County's Funds**

Information about the County's major funds starts on page 17. All governmental funds had total revenues and other financing sources of \$21.7 million and expenditures and other financing uses of \$21.8 million. The County has three major governmental funds: 1) General Fund; 2) Road and Bridge Fund; and 3) Jail Fund.

The General Fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the General Fund was \$9.7 million of which \$3.8 million was undesignated. The fund balance of the County's General Fund decreased by \$221 thousand during the fiscal year.

The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had \$46 thousand in fund balance at June 30, 2004. Fiscal year 2004 expenditures for road projects were \$2.3 million.

The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004, of \$268 thousand. That is a decrease in fund balance of \$60 thousand over the previous fiscal year. The decrease is primarily due to operating costs not reimbursed through state funding. The fund balance is a result of unspent funds transferred from the General Fund that will be spent during the 2005 fiscal year. The Jail Fund received \$2.6 million of intergovernmental revenue, primarily from charges to others for housing prisoners.

**General Fund-Budget Highlights**

The County's budget is prepared according to Kentucky law. The most significant budgeted fund is the General Fund. For the General Fund, revenues were budgeted at \$11.5 million with actual amounts of \$10.1 million. Budgeted expenditures of \$9.6 million compare with actual expenditures of \$7.2 million. There were significant water projects that were budgeted in the fiscal year that will not be funded until future periods.

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Capital Assets and Debt Administration**

**Capital Assets.** At the end of fiscal year 2004, the County had \$132.2 million invested in capital assets, as reflected in the following table, \$41.5 million of which was in governmental activities.

**(Table 4)**  
**Capital Assets at June 30, 2004**  
**(Net of Depreciation)**

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 18,714,003	\$ 7,738,306	\$ 26,452,309
Land improvements	-	508,793	508,793
Buildings	13,462,459	25,802,501	39,264,960
Landfill	-	12,442,600	12,442,600
Infrastructure	4,464,604	-	4,464,604
Equipment, furniture and books	1,796,885	-	1,796,885
Equipment	-	36,003,707	36,003,707
Vehicles	1,605,486	3,250	1,608,736
Total	40,043,437	82,499,157	122,542,594
Construction in progress	1,433,461	8,243,463	9,676,924
Total	<u>\$ 41,476,898</u>	<u>\$ 90,742,620</u>	<u>\$ 132,219,518</u>

The following reconciliation summarizes the change in Capital Assets for the year ended June 30, 2004:

**(Table 5)**  
**Change in Capital Assets**  
**Year Ended June 30, 2004**

	Governmental Activities	Business-type Activities	Total Primary Government
Beginning balance	\$ 41,103,518	\$ 86,403,238	\$ 127,506,756
Additions	1,614,928	15,403,205	17,018,133
Retirements	(51,022)	(47,702)	(98,724)
Depreciation	(1,190,526)	(11,016,121)	(12,206,647)
Ending balance	<u>\$ 41,476,898</u>	<u>\$ 90,742,620</u>	<u>\$ 132,219,518</u>

**Hardin County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Capital Assets and Debt Administration (Continued)**

**Debt Administration.** At June 30, 2004, the County had \$55.1 million in long-term obligations outstanding. A total of \$2.8 million is due within one year.

**(Table 6)**  
**Long-term Obligations**  
**as of June 30, 2004**

Governmental Activities:	
Bonds	\$ 8,470,000
Notes	10,533,295
Financing obligations	<u>1,376,016</u>
Sub-total	<u>20,379,311</u>
Business-type Activities:	
Solid Waste Fund	18,089,400
Hardin Memorial Hospital	<u>16,648,684</u>
Sub-total	<u>34,738,084</u>
Total	<u><u>\$ 55,117,395</u></u>

Long-term obligations increased for the purchase of 911 equipment, landfill expansion and closure costs and the refunding of certain hospital revenue bonds. Long-term obligations decreased due to principal payments and reductions due to amortization of issuance costs.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004-2005 fiscal year budget:

- The 2004-2005 fiscal year adopted budget continued most services at previous levels with the exception of projects which have been completed or are nearing completion.
- Program cuts at the State or Federal level, particularly relating to the cost of housing prisoners, may have a negative impact on future funding for County programs. The County may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.
- The County's landfill expansion will continue in fiscal year 2004-2005 with the issuance of \$3.79 million for construction of cells 3A and 4A.
- During fiscal year 2004-2005, the County will change its basis of accounting from modified cash to generally accepted accounting principles. The change will result in all funds being presented on the same basis of accounting. Due to the different basis of accounting in the 2003-2004 fiscal year, the County received a qualified independent auditor's opinion on its basic financial statements. This is simply a financial reporting matter and does not reflect negatively on the County's bookkeeping system.

**Hardin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Requests For Information**

This financial report is designed to provide a general overview of Hardin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Hardin County Treasurer, P.O. Box 568, Elizabethtown, Kentucky 42702-0568, (270)765-4491.

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**HARDIN COUNTY  
STATEMENT OF NET ASSETS**

**June 30, 2004**





**HARDIN COUNTY  
STATEMENT OF NET ASSETS**

**June 30, 2004**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Hardin County Planning And Development Commission</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 10,617,179	\$ 12,009,836	\$ 22,627,015	\$ 277,835
Restricted Cash		7,120	7,120	
Investments	2,830,765		2,830,765	
Assets Whose Use Is Limited		1,894,275	1,894,275	
Patient Accounts Receivable - Net of Estimated Uncollectibles of \$21,953,732		14,838,877	14,838,877	
Supply Inventory		3,005,574	3,005,574	
Other		2,549,189	2,549,189	
<b>Total Current Assets</b>	<b>13,447,944</b>	<b>34,304,871</b>	<b>47,752,815</b>	<b>277,835</b>
<b>Noncurrent Assets:</b>				
Restricted Cash		910,050	910,050	
Assets Whose Use Is Limited		42,786,487	42,786,487	
Other Assets		520,263	520,263	
<b>Capital Assets - Net of Accumulated Depreciation:</b>				
Land	18,714,003	7,738,306	26,452,309	
Construction In Progress	1,433,461	8,243,463	9,676,924	
Land Improvements		508,793	508,793	
Buildings and Improvements	13,462,459	25,802,501	39,264,960	
Landfill		12,442,600	12,442,600	
Equipment, Furniture, and Books	1,796,885	36,003,707	37,800,592	8,051
Vehicles	1,605,486	3,250	1,608,736	12,564
<b>Infrastructure Assets - Net of Depreciation</b>	<b>4,464,604</b>		<b>4,464,604</b>	
<b>Total Noncurrent Assets</b>	<b>41,476,898</b>	<b>134,959,420</b>	<b>176,436,318</b>	<b>20,615</b>
<b>Total Assets</b>	<b>54,924,842</b>	<b>169,264,291</b>	<b>224,189,133</b>	<b>298,450</b>

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**  
**(Continued)**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Hardin County Planning And Development Commission</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Financing Obligations Payable	\$ 113,538	\$ 189,800	\$ 303,338	\$
Bonds Payable	505,000	605,000	1,110,000	
Long-term Obligations Payable		1,345,000	1,345,000	
Accounts Payable		4,116,822	4,116,822	3,139
Accrued Expenses		10,444,771	10,444,771	
Estimated Third-party Payor Settlements		2,331,362	2,331,362	
Accrued Interest Payable		142,711	142,711	
Compensated Absences				8,761
Unearned Revenue				205,752
Total Current Liabilities	618,538	19,175,466	19,794,004	217,652
Noncurrent Liabilities:				
Landfill Closure and Postclosure		910,050	910,050	
Financing Obligations Payable	1,262,478	4,299,550	5,562,028	
Bonds Payable	7,965,000	12,085,000	20,050,000	
Notes Payable	10,533,295		10,533,295	
Long-term Obligations Payable				
Total Noncurrent Liabilities	19,760,773	17,294,600	37,055,373	
Total Liabilities	20,379,311	36,470,066	56,849,377	217,652
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	21,097,587	56,914,585	78,012,172	20,615
Restricted For:				
Capital Projects		7,120	7,120	
Debt Service		3,742,227	3,742,227	
Permanent Funds - Nonexpendable	804,526		804,526	
Landfill Closure and Postclosure Costs		910,050	910,050	
Employee Support Program		16,170	16,170	
Hardin Memorial Hospital Foundation		199,245	199,245	
Unrestricted	12,643,418	55,701,144	68,344,562	60,183
Total net assets	\$ 34,545,531	\$ 117,490,541	\$ 152,036,072	\$ 80,798

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2004**

**HARDIN COUNTY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,023,346	\$ 210,092	\$ 324,657	\$
Protection to Persons and Property	7,095,950	4,773,196	644,529	161,745
General Health and Sanitation	274,562	12,630	6,252	
Social Services	407,969	473	207,686	200,000
Recreation and Culture	699,467	22,429	97,145	
Roads	1,881,320	17,814	1,606,271	394,000
Interest On Long-Term Debt	437,048	14,129	425,919	
Capital Projects	455,992			86,682
Fringe Benefits	1,788,864			
Total Governmental Activities	<u>16,064,518</u>	<u>5,050,763</u>	<u>3,312,459</u>	<u>842,427</u>
Business-type Activities:				
Jail Canteen Fund	240,765	332,854		
Solid Waste Fund	5,416,999	6,906,559	57,334	
Hardin Memorial Hospital	141,983,313	147,204,315		
Total Business-type Activities	<u>147,641,077</u>	<u>154,443,728</u>	<u>57,334</u>	
Total Primary Government	<u>\$ 163,705,595</u>	<u>\$ 159,494,491</u>	<u>\$ 3,369,793</u>	<u>\$ 842,427</u>
<b>Component Unit:</b>				
Hardin County Planning and Development Commission	\$ 405,897	\$ 248,434	\$ 163,000	
Total Component Unit	<u>\$ 405,897</u>	<u>\$ 248,434</u>	<u>\$ 163,000</u>	<u>\$</u>

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Realized Gain on Investments

Net Unrealized Losses on Investments

Donations

Miscellaneous Revenues

Gain On Capital Assets Traded

Capital Assets Purchased By Sheriff

Interfund Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2004**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Hardin County Planning And Development Commission
\$ (2,488,597)	\$	\$ (2,488,597)	\$
(1,516,480)		(1,516,480)	
(255,680)		(255,680)	
190		190	
(579,893)		(579,893)	
136,765		136,765	
3,000		3,000	
(369,310)		(369,310)	
(1,788,864)		(1,788,864)	
(6,858,869)		(6,858,869)	
	92,089	92,089	
	1,546,894	1,546,894	
	5,221,002	5,221,002	
	6,859,985	6,859,985	
\$ (6,858,869)	\$ 6,859,985	\$ 1,116	\$
			5,537
			\$ 5,537
3,570,885		3,570,885	
337,190		337,190	
523,754		523,754	
858,119		858,119	
704,798		704,798	
162,917	1,752,585	1,915,502	1,305
220,305		220,305	
	(1,345,552)	(1,345,552)	
5,380		5,380	
470,486	175,693	646,179	3,018
17,692		17,692	
77,652		77,652	
627,493	(627,493)		
7,576,671	(44,767)	7,531,904	4,323
717,802	6,815,218	7,533,020	9,860
33,827,729	110,675,323	144,503,052	70,938
\$ 34,545,531	\$ 117,490,541	\$ 152,036,072	\$ 80,798

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2004**





**HARDIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 9,744,912	\$ 45,634	\$ 268,076	\$ 558,557	\$ 10,617,179
Investments				2,830,765	2,830,765
Total assets	<u>\$ 9,744,912</u>	<u>\$ 45,634</u>	<u>\$ 268,076</u>	<u>\$ 3,389,322</u>	<u>\$ 13,447,944</u>
<b>FUND BALANCES</b>					
Reserved for:					
Permanent Funds	\$	\$	\$	\$ 804,526	\$ 804,526
Unreserved:					
General Fund					
Undesignated	3,761,086				3,761,086
Designated - Hospital	5,983,826				5,983,826
Special Revenue Fund		45,634	268,076	57,125	370,835
Debt Service Fund				490,892	490,892
Permanent Funds				2,036,779	2,036,779
Total Fund Balances	<u>\$ 9,744,912</u>	<u>\$ 45,634</u>	<u>\$ 268,076</u>	<u>\$ 3,389,322</u>	<u>\$ 13,447,944</u>

**Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 13,447,944
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	51,373,328
Accumulated Depreciation	(9,896,430)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore,	
Is Not Reported in the Funds.	
Financing Obligations	(1,376,016)
Bonded Debt	(8,470,000)
Notes Payable	<u>(10,533,295)</u>
Net Assets Of Governmental Activities	<u>\$ 34,545,531</u>

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2004**



**HARDIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 5,289,949	\$	\$	\$	\$ 5,289,949
Excess Fees	704,798				704,798
Licenses and Permits	113,616	11,820			125,436
Intergovernmental Revenues	974,313	1,841,339	2,568,823	490,851	5,875,326
Charges for Services	2,569,433	17,814	130,563	22,429	2,740,239
Miscellaneous Revenues	328,237	51,838	544,089	299,838	1,224,002
Interest Earned	84,816	2,904	5,130	6,883	99,733
Total Revenues	<u>10,065,162</u>	<u>1,925,715</u>	<u>3,248,605</u>	<u>820,001</u>	<u>16,059,483</u>
<b>EXPENDITURES</b>					
General Government	1,789,729	9,481	114,846		1,914,056
Protection to Persons and Property	3,316,512		3,678,978	147,765	7,143,255
General Health and Sanitation	235,503				235,503
Social Services	407,969				407,969
Recreation and Culture	171,240			616,018	787,258
Roads		2,373,130			2,373,130
Debt Service				867,737	867,737
Capital Projects			226,556	229,436	455,992
Administration	488,667	43,507	430,651	6,407	969,232
Fringe Benefits	797,116	247,837	743,911		1,788,864
Total Expenditures	<u>7,206,736</u>	<u>2,673,955</u>	<u>5,194,942</u>	<u>1,867,363</u>	<u>16,942,996</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,858,426</u>	<u>(748,240)</u>	<u>(1,946,337)</u>	<u>(1,047,362)</u>	<u>(883,513)</u>
<b>Other Financing Sources (Uses)</b>					
Financing Obligation Proceeds	152,198				152,198
Transfers From Other Funds	580,960	724,834	2,732,512	1,468,786	5,507,092
Transfers To Other Funds	(3,813,000)		(846,322)	(220,277)	(4,879,599)
Total Other Financing Sources (Uses)	<u>(3,079,842)</u>	<u>724,834</u>	<u>1,886,190</u>	<u>1,248,509</u>	<u>779,691</u>
Net Change in Fund Balances	(221,416)	(23,406)	(60,147)	201,147	(103,822)
Fund Balances - Beginning (Restated)	9,966,328	69,040	328,223	3,188,175	13,551,766
Fund Balances - Ending	<u>\$ 9,744,912</u>	<u>\$ 45,634</u>	<u>\$ 268,076</u>	<u>\$ 3,389,322</u>	<u>\$ 13,447,944</u>

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**





**HARDIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (103,822)
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,468,562
Depreciation Expense	(1,190,526)
Gain on Capital Assets Traded	17,692
Capital Assets Purchased By Sheriff Owned By Fiscal Court	77,652
The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligation	(152,198)
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Financing Obligations	115,442
Bond Payments	485,000
Change in Net Assets of Governmental Activities	<u>\$ 717,802</u>

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2004**



**HARDIN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2004**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 334,439	\$ 3,381,413	\$ 8,293,984	\$ 12,009,836
Restricted Cash		7,120		7,120
Assets Whose Use Is Limited			1,894,275	1,894,275
Patient Accounts Receivable - Net of Estimated Uncollectibles of \$21,953,732			14,838,877	14,838,877
Supply Inventory			3,005,574	3,005,574
Other			2,549,189	2,549,189
Total Current Assets	334,439	3,388,533	30,581,899	34,304,871
Noncurrent Assets:				
Restricted Cash		910,050		910,050
Assets Whose Use Is Limited			42,786,487	42,786,487
Other Assets			520,263	520,263
Capital Assets, Net of Accumulated Depreciation:				
Land		2,715,500	5,022,806	7,738,306
Construction In Progress		2,379,582	5,863,881	8,243,463
Land Improvements			508,793	508,793
Buildings and Improvements			25,802,501	25,802,501
Landfill		12,442,600		12,442,600
Equipment		43,937	35,959,770	36,003,707
Vehicles		3,250		3,250
Total Noncurrent Assets		18,494,919	116,464,501	134,959,420
Total Assets	334,439	21,883,452	147,046,400	169,264,291

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2004**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
<b>Liabilities</b>				
Current Liabilities:				
Current portion of:				
Financing Obligations Payable	\$	\$ 189,800	\$	\$ 189,800
Bonds Payable		605,000		605,000
Long-term Obligations Payable			1,345,000	1,345,000
Accounts Payable			4,116,822	4,116,822
Accrued Expenses - Primarily for				
Salaries, Wages and Benefits			10,444,771	10,444,771
Estimated Third-party Payor Settlements			2,331,362	2,331,362
Accrued Interest Payable			142,711	142,711
Total Current Liabilities		794,800	18,380,666	19,175,466
Noncurrent Liabilities:				
Landfill Closure and Postclosure		910,050		910,050
Financing Obligations Payable, Net of				
Current Portion		4,299,550		4,299,550
Bonds Payable, Net of Current Portion		12,085,000		12,085,000
Long-term Obligations Payable, Net of				
Current Portion			15,303,684	15,303,684
Total Noncurrent Liabilities		17,294,600	15,303,684	17,294,600
Total Liabilities		18,089,400	33,684,350	36,470,066
<b>Fund Net Assets</b>				
Invested in Capital Assets,				
Net of Related Debt		405,519	56,509,066	56,914,585
Restricted For:				
Capital Projects		7,120		7,120
Debt Service			3,742,227	3,742,227
Landfill Closure and Postclosure Costs		910,050		910,050
Employee Support Program			16,170	16,170
Hardin Memorial Hospital Foundation			199,245	199,245
Unrestricted	334,439	2,471,363	52,895,342	55,701,144
Total Fund Net Assets	\$ 334,439	\$ 3,794,052	\$ 113,362,050	\$ 117,490,541

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**

**For The Year Ended June 30, 2004**





**HARDIN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
<b>Operating Revenues</b>				
Canteen Receipts	\$ 332,854	\$	\$	\$ 332,854
Licenses and Permits		74,371		74,371
Intergovernmental		57,334		57,334
Charges for Services		6,806,890		6,806,890
Miscellaneous		31,443		31,443
Net Patient Service Revenue			145,293,996	145,293,996
Other Operating Revenue			1,910,319	1,910,319
Total Operating Revenues	<u>332,854</u>	<u>6,970,038</u>	<u>147,204,315</u>	<u>154,507,207</u>
<b>Operating Expenses</b>				
Cost of Sales	167,622			167,622
Educational and Recreational	48,725			48,725
General Health and Sanitation		4,001,158		4,001,158
Fringe Benefits		38,807		38,807
Depreciation and Amortization		580,689	10,509,376	11,090,065
Salaries and Wages - Including Employee Benefits			72,429,210	72,429,210
Supplies			30,239,743	30,239,743
Professional Services			9,823,134	9,823,134
Provision For Bad Debts			8,822,500	8,822,500
Administrative and Other			7,116,824	7,116,824
Provider Tax			2,239,039	2,239,039
Total Operating Expenses	<u>216,347</u>	<u>4,620,654</u>	<u>141,179,826</u>	<u>146,016,827</u>
Operating Income (Loss)	<u>116,507</u>	<u>2,349,384</u>	<u>6,024,489</u>	<u>8,490,380</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Income	1,880	33,420	1,717,285	1,752,585
Net Unrealized Losses on Investments			(1,345,552)	(1,345,552)
Inmate Refunds	(24,418)			(24,418)
Other Revenues			169,548	169,548
Debt Service:				
Interest Expense		(796,288)	(803,487)	(1,599,775)
Miscellaneous		(57)		(57)
Total Nonoperating Revenues (Expenses)	<u>(22,538)</u>	<u>(762,925)</u>	<u>(262,206)</u>	<u>(1,047,669)</u>

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
Net Income Before Transfers	\$ 93,969	\$ 1,586,459	\$ 5,762,283	\$ 7,442,711
Interfund Transfers To Hardin County Fiscal Court	(62,512)		(564,981)	(627,493)
Change In Fund Net Assets	31,457	1,586,459	5,197,302	6,815,218
Total Fund Net Assets - Beginning	302,982	2,207,593	108,164,748	110,675,323
Total Fund Net Assets - Ending	<u>\$ 334,439</u>	<u>\$ 3,794,052</u>	<u>\$ 113,362,050</u>	<u>\$ 117,490,541</u>

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2004**



**HARDIN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
<b>Cash Flows From Operating Activities</b>				
Receipts from Customers and Users	\$ 332,854	\$ 6,938,595	\$	\$ 7,271,449
Patient Services Revenues, Net			137,285,464	137,285,464
Cash Received for Lease Payments		31,443		31,443
Cost of Sales	(167,622)			(167,622)
Educational and Recreational	(48,725)			(48,725)
Salaries, Wages and Benefits		(150,170)	(71,548,051)	(71,698,221)
Payments to Vendors and Contractors		(3,690,983)	(50,565,767)	(54,256,750)
Other Receipts, Net			1,890,189	1,890,189
Net Cash Provided By Operating Activities	116,507	3,128,885	17,061,835	20,307,227
<b>Cash Flows From Noncapital Financing Activities</b>				
Restricted Contributions			72,427	72,427
Interfund Transfers To				
Hardin County Fiscal Court	(62,512)		(564,981)	(627,493)
Inmate Refunds On Accounts	(24,418)			(24,418)
Net Cash Used By Noncapital Financing Activities	(86,930)		(492,554)	(579,484)
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from Financing Obligations		1,500,000		1,500,000
Additional Borrowing on				
Long-term Obligations			16,278,930	16,278,930
Principal Paid on Long-term Obligations		(763,850)	(17,318,284)	(18,082,134)
Interest Paid on Long-term Obligations		(796,288)	(831,212)	(1,627,500)
Purchases of Property and Equipment			(13,581,329)	(13,581,329)
Proceeds from Sale of Property and Equipment			47,711	47,711
Other Expenses		(57)		(57)
Construction of Capital Assets		(1,821,886)		(1,821,886)
Net Cash Used By Capital and Related Financing Activities	0	(1,882,081)	(15,404,184)	(17,286,265)

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Jail Canteen Fund</b>	<b>Solid Waste Fund</b>	<b>Hardin Memorial Hospital</b>	<b>Totals</b>
<b>Cash Flows From Investing Activities</b>				
Interest Earned	\$ 1,880	\$ 33,420	\$	\$ 35,300
Purchase of Assets Whose Use Is Limited			(1,242,547)	(1,242,547)
Proceeds From Sales of Investments			1,814,338	1,814,338
Net Cash Provided By Investing Activities	1,880	33,420	571,791	607,091
Net Increase in Cash and Cash Equivalents	31,457	1,280,224	1,736,888	3,048,569
Cash and Cash Equivalents - July 1	302,982	3,018,359	6,557,096	9,878,437
Cash and Cash Equivalents - June 30	<u>\$ 334,439</u>	<u>\$ 4,298,583</u>	<u>\$ 8,293,984</u>	<u>\$ 12,927,006</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 116,507	\$ 2,349,384	\$ 6,024,489	\$ 8,490,380
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:				
Depreciation and Amortization		580,689	10,509,376	11,090,065
Landfill Closure		198,812		198,812
(Increase) Decrease in:				
Patient Accounts Receivable			1,380,848	1,380,848
Supply Inventory			(235,452)	(235,452)
Other Current Assets			(1,450,578)	(1,450,578)
Other Noncurrent Assets			(271,693)	(271,693)
Accounts Payable			(97,978)	(97,978)
Accrued Expenses			1,770,280	1,770,280
Estimated Third-party Payor Settlements			(567,457)	(567,457)
Total Cash Provided By Operating Activities	<u>\$ 116,507</u>	<u>\$ 3,128,885</u>	<u>\$ 17,061,835</u>	<u>\$ 20,307,227</u>

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

Management of the Hardin County Fiscal Court has prepared the accompanying financial statements of the governmental activities, certain business-type activities, all major governmental funds, two of the major enterprise funds: Jail Canteen Fund and Solid Waste Fund, and the aggregated non-major governmental funds in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). The Governor's Office for Local Development does not require the Hardin County Fiscal Court to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expenses are included on the Statement of Activities.

Management of the Hardin Memorial Hospital, a major enterprise fund, and Hardin County Planning and Development Commission, a discretely presented component unit, have prepared the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. The Hospital and the Planning Commission have adopted the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when incurred. The funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Assets.

**B. Reporting Entity**

The financial statements of Hardin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Audited financial statements for the Hardin Memorial Hospital, a blended component unit, may be requested by contacting David Gray, 913 N. Dixie Avenue, Elizabethtown, Kentucky.

Audited financial statements for the Hardin County Planning and Development Commission, a discretely presented component unit, may be requested by contacting Chris Hunsinger, Hardin County Planning and Development Commission, 14 Public Square, 3<sup>rd</sup> Floor, Elizabethtown, Kentucky, (270) 769-5479.



**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Hardin County Public Library**

Based on KRS 173.310, the Hardin County Public Library is not a legally separate entity from the Hardin County Fiscal Court. The Library cannot be sued in its own name without recourse to the Fiscal Court and does not have the right to buy, sell, lease, or mortgage property in its own name. Financial information for the Library is blended within Hardin County's financial statements.

**Hardin County Building Commission**

The Hardin County Building Commission (Building Commission) cannot be sued in its own name without recourse to Hardin County Fiscal Court. The County Judge/Executive appoints two members and the Hardin County Attorney and Hardin County Treasurer are standing members. The Fiscal Court is able to impose its will. The Building Commission is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. Fiscal Court has all access to resources, is legally obligated to finance the deficits of or provide financial support to the Building Commission. The Building Commission is financially accountable to the Fiscal Court. Financial information for the Building Commission is blended within Hardin County's financial statements.

**Hardin Memorial Hospital**

The Hardin Memorial Hospital's combined financial statements include the operations of Hardin Memorial Hospital and Hardin Memorial Hospital Foundation, Inc. (collectively, Hardin Memorial Hospital). The Hospital is operated as an unincorporated unit of the Hardin County Fiscal Court. The Hospital provides inpatient and outpatient services to the residents of Hardin County, Kentucky and the surrounding area. Pursuant to Internal Revenue Service Code Section 115, the Hospital is exempt from federal income taxes. The Hardin Memorial Hospital Foundation, Inc. was organized to support, enhance and expand the activities of Hardin Memorial Hospital and other non-profit healthcare facilities in Hardin County. Hardin Memorial Hospital and the Hardin Memorial Hospital Foundation, Inc. are under the common control of the same Board of Trustees, the Hardin County Fiscal Court. Accordingly, the financial statements of Hardin Memorial Hospital and Hardin Memorial Hospital Foundation, Inc. are combined. All material inter-organization balances and transactions are eliminated in combination. Financial information for the Hardin Memorial Hospital is blended within Hardin County's financial statements.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Unit

The component unit's column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

Hardin County Planning and Development Commission

The Hardin County Planning and Development Commission (Planning Commission) is a Hardin County government agency that enforces regulations involving zoning, subdivision development and local and state building and electrical codes in all areas of unincorporated Hardin County. The Planning Commission's board members are appointed by the County Judge/Executive with the approval of the Hardin County Fiscal Court. The Fiscal Court is able to impose its will on the Planning Commission. Financial information for the Planning and Development Commission is presented discretely within Hardin County's financial statements.

**C. Hardin County Elected Officials Not Part Of Hardin County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Hardin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hardin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-Wide Financial Statements (Continued)**

The government-wide statements, except for governmental activities and certain business-type activities, are reported using the economic resources measurement focus and the accrual basis of accounting as do the proprietary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance (unearned revenues). Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**E. Fund Financial Statements**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

All governmental fund statements are reported using the modified cash basis of accounting and current financial resources measurement focus. In accordance with the modified cash basis of accounting, revenues are recognized when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the governmental fund financial statements.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Federal Grants Fund, Emergency Shelter Fund, Library Fund, Hardin County Building Commission Fund, Debt Service Fund, Fife Fund, Pauline Walker and Powell Duff Fund, and Library Trust Fund.

**Special Revenue Funds:**

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Emergency Shelter Fund, and Library Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Funds:**

The Hardin County Building Commission and Debt Service Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Permanent Funds:**

The Fife Fund, Pauline Walker and Powell Duff Fund, and the Library Trust Fund are presented as permanent funds. Permanent funds are to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs.

Fife Fund - The Fife Fund was established by the will and codicils H. B. Fife in 1955. The will imposed that the fund be held in perpetuity. This means the original \$270,000 principal should remain intact. The will created a trust for the following public purposes:

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Permanent Funds: (Continued)

- 1) to aid in the construction and/or maintenance of the public county roads and bridges of Hardin County;
- 2) to aid in the construction and/or maintenance of a public airport;
- 3) to aid in the construction of a new courthouse or jail.

The trustee that administers the Fife Trust is a committee consisting of the following with each having one vote: Hardin County Judge/Executive, Hardin County Treasurer, and the Hardin County Fiscal Court. The majority of the committee has the full authority and discretion to decide how the income of the trust is to be spent. The will contained no language which would limit the discretion of this committee in the expenditure of the Fife Trust income. The only limitation on the committee's discretion is that which the law imposes on all trustees in that their decisions must not be arbitrary. The committee must give due consideration to requests for expenditures in each of the categories but it remains within the committee's sound discretion as to how the income of the trust is ultimately expended.

Pauline Walker and Powell Duff Fund - The Pauline Walker and Powell Duff Fund was established by the will of Powell Duff in 1991. According to the will, this bequest "is given in memory of one who fought and wrought to improve the quality of life in southern Hardin County after she moved to Sonora in 1934." The trustee is the Hardin County Fiscal Court. The will imposed that the fund be held in perpetuity. This means the original \$459,526 principal should remain intact and the income may be spent annually as Fiscal Court sees fit.

Library Trust Fund - The majority of the Library Trust Fund is the Pauline Walker and Powell Duff Trust that was created in 1986 for the benefit of the Hardin County Public Library, subject to the uses and purposes as follows:

- 1) The corpus (principal) of the trust is the sum of \$75,000.
- 2) The trustees of the trust are the County Judge/Executive, Library Board Chairperson, and the County Treasurer.
- 3) The trustees are directed to invest the corpus in safe investments producing a reasonable rate of interest income. The trustees are further directed that all income produced shall be used solely for the purchase of books for the Hardin County Public Library. At no time shall the trustees invade the corpus for any reason whatsoever.
- 4) The trustees, in the performance of their duties under this trust instrument, shall be bound by the appropriate statutory provisions of the Kentucky Revised Statutes, as well as the common law, and shall adhere to all standards and requirements set forth.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, except for the Jail Canteen Fund and the Solid Waste Fund, recognizing revenues and expenses when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net assets, "expenses" describes decreases in economic benefits and emphasizes the accrual basis of accounting. Proprietary funds' revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by accounting principles generally accepted in the United States of America, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to the fund's particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expenses are further characterized by object (personal services, depreciation expense, travel expense, etc.). The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The Jail Canteen Fund and Solid Waste Fund use modified cash basis of accounting, and therefore, these funds do not include certain accruals required by accounting principles generally accepted in the United States of America.

The primary government reports the following major proprietary funds:

**Jail Canteen Fund** - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Solid Waste Fund** - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are from charges to customers for garbage collection and tipping fees.

**Hardin Memorial Hospital** - The Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, accounts for the activities of the Hardin Memorial Hospital. The Hospital provides inpatient and outpatient medical services to residents of Hardin County and the surrounding area. The Hospital defines operating activities, as reported on the Statement of Revenues, Expenses and Changes In Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all the Hospital's revenues and expenses are from exchange transactions. Certain revenues relied upon for operations, such as gifts and investment income, are recorded as non-operating revenues in accordance with Governmental Accounting Standards Board Statement No. 34.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

Enterprise Funds:

The Jail Canteen Fund, Solid Waste Fund, and the Hardin Memorial Hospital are presented as enterprise funds. Enterprise funds are to account for any activity for which a fee is charged to external users for goods or services.

**F. Presentation of Component Unit**

Presentation of the underlying fund types of the Hardin County Planning and Development Commission, a major discretely presented component unit of Hardin County Fiscal Court, is available from the Planning Commission's separately issued financial statements.

During fiscal year ended June 30, 2004, the Hardin County Fiscal Court provided operating funds of \$163,000 to the Hardin County Planning and Development Commission.

**G. Cash and Cash Equivalents**

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the fiscal court to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**H. Investments**

The primary government's investments are considered to be long-term investments that are stated at cost. See note 2.B. for investment details.

**I. Assets Whose Use is Limited and Investment Income For Hardin Memorial Hospital**

Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, assets whose use is limited are recorded at fair value and include: assets set aside by the Hospital Board for capital improvements, over which the Hospital Board retains control and may, at its discretion, subsequently use for other purposes, and assets held by trustees under indenture agreements. Amounts required to meet current liabilities have been classified as current assets in the balance sheet.

All assets whose use is limited are held in the Hospital's name by a custodial bank.

Income from investments is reported as non-operating investment income.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Net Patient Service Revenue**

The Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, or investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

The Hospital's revenue from Medicare and Medicaid programs accounted for approximately 47% for the year ended June 30, 2004. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**K. Charity Care**

The Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, provides care to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The Hospital provided charity care to patients amounting to approximately \$6,255,000 (based on the Hospital's normal charges foregone) for the year ended June 30, 2004.

**L. Interfund Transactions**

The Hardin County Fiscal Court has the following type of interfund transactions:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 6. Note that at the entity-wide level, the majority of interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once. Interfund transfers between governmental activities and business-type activities have not been eliminated.

**M. Supply Inventory**

Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, supply inventory consists of expendable supplies held for consumption, the costs of which are recorded as an expense as they are used. Supply inventory is stated at the lower of cost or market on a first-in, first-out basis.



**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Capital Assets and Depreciation**

Capital assets, which include land, construction in progress, land improvements, buildings, building improvements, landfill, equipment, furniture, books, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Fund financial statements for governmental funds expense capital assets when purchased or constructed.

The policy of the primary government is to capitalize assets as noted in the table below. The primary government capitalizes all land. Component units establish their own capitalization policy and that policy may vary from that of the primary government. The primary government values fixed assets at historical cost. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. Assets held under capital leases are amortized over the estimated useful life of the asset, or the term of the lease, whichever is shorter. At June 30, 2004 the primary government had no assets held under capital leases.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	20 - 25
Buildings and Building Improvements	\$ 30,000	10 - 50
Machinery and Equipment	\$ 5,000	3 - 15
Vehicles	\$ 5,000	5 - 15
Infrastructure	\$ 30,000	7 - 50

**O. Fund Equity Reserves and Designations**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**Q. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Provider Tax**

The Hardin Memorial Hospital is required to pay the healthcare provider tax pursuant to legislation passed by the Commonwealth of Kentucky. The legislation imposes tax rates ranging for 2.0% to 2.5% of gross revenue, as defined. The tax levied is for the purpose of providing funding for the Commonwealth of Kentucky Medicaid program.

**S. Budgetary Information**

Annual budgets for the Hardin County Fiscal Court and Hardin County Planning and Development Commission, a discretely presented component unit of the Fiscal Court, are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**T. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hardin County Fiscal Court: Hardin County Water District #1 and Hardin County Water District #2.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**U. Property Taxes**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 30, due at face value November 30, delinquent January 1 following the assessment, and subject to lien and sale February 28 following the delinquency date.

**V. Recent Accounting Pronouncements**

In March 2003, Governmental Accounting Standards Board (GASB) issued Statement No. 40 Deposit and Investment Risk Disclosure. This statement requires certain disclosures of investments that have fair values that are highly sensitive to the changes in interest rate risk. The provisions of the statement are effective for financial statements for fiscal periods beginning after June 15, 2004. The Hardin Memorial Hospital does not expect the adoption of this statement to have a material effect on its financial statements.

In November 2003, GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This statement requires certain disclosures when the value of a capital asset has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2004. The Hardin Memorial Hospital does not expect the adoption of this statement to have a material effect on its financial statements.

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The Hardin Memorial Hospital cannot yet determine the impact that this change will have on its financial statements, but it is likely to be significant.

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments**

The primary government's investments are categorized below to give an indication of the level of risk assumed by the primary government at year-end. Category 1 includes investments that are insured or registered or the securities are held by the primary government or by the primary government's agent in the primary government's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the primary government's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the primary government's name.

	Category			Carrying	Market
Investments	1	2	3	Amount	Value
<b>Primary Government:</b>					
Governmental					
Securities	\$ 83,208	\$	\$	\$ 83,208	\$ 77,865
Common Stock		922,884		922,884	1,137,341
Preferred Stock		492		492	447
Total Securities	<u>\$ 83,208</u>	<u>\$ 923,376</u>	<u>\$</u>	\$ 1,006,584	\$ 1,215,653
Mutual Funds				1,824,180	1,865,502
Total Investments				<u>\$ 2,830,764</u>	<u>\$ 3,081,155</u>

**Note 3. Concentrations of Credit Risk**

The Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The percentages of receivables from patients and third party payors as of June 30, 2004 were as follows:

	Fiscal Year Ended June 30
Medicare	35%
Medicaid and Passport	11%
Other third-party payors	33%
Patients	21%
Total	<u>100%</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Assets Whose Use Is Limited**

Hardin Memorial Hospital's, a blended component unit of Hardin Fiscal Court, assets whose use is limited as of June 30, 2004 were as follows:

Designated by Board for Capital Improvements	\$ 40,938,535
Under Bond Indenture Agreements	<u>3,742,227</u>
Total Assets Whose Use Is Limited	44,680,762
Less Assets Whose Use Is Limited - Required for Current Liabilities	<u>(1,894,275)</u>
Assets Whose Use Is Limited - Noncurrent Portion	<u>\$ 42,786,487</u>
Assets Whose Use Is Limited Are Invested in the Following:	
U.S. Government Obligations	\$ 39,012,759
Cash and Cash Equivalents	3,413,192
Repurchase Agreements	<u>2,254,811</u>
Total Assets Whose Use Is Limited	<u>\$ 44,680,762</u>

The Hospital's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. All of the Hospital's investments are classified as Category 1 investments. Category 1 investments include investments that are insured or registered or for which securities are held by the Hospital or its agent in the Hospital's name.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Ending Balance
<b>Primary Government:</b>			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land	\$ 18,714,003	\$	\$ 18,714,003
Construction In Progress	<u>1,204,328</u>	<u>229,133</u>	<u>1,433,461</u>
Total Capital Assets Not Being Depreciated	<u>19,918,331</u>	<u>229,133</u>	<u>20,147,464</u>
Capital Assets, Being Depreciated:			
Buildings	16,511,599		16,511,599
Equipment, Furniture, and Books	5,099,717	334,530	5,367,372
Vehicles	3,795,101	308,058	4,103,159
Infrastructure	<u>4,500,527</u>	<u>743,207</u>	<u>5,243,734</u>
Total Capital Assets Being Depreciated	<u>29,906,944</u>	<u>1,385,795</u>	<u>31,225,864</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2004 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government: (Continued)</b>				
<u>Governmental Activities: (Continued)</u>				
Less Accumulated Depreciation For:				
Buildings	\$ (2,770,314)	\$ (278,826)	\$	\$ (3,049,140)
Equipment, Furniture, and Books	(3,226,614)	(359,726)	15,853	(3,570,487)
Vehicles	(2,171,167)	(326,506)		(2,497,673)
Infrastructure	(553,662)	(225,468)		(779,130)
Total Accumulated Depreciation	(8,721,757)	(1,190,526)	15,853	(9,896,430)
Total Capital Assets, Being Depreciated, Net	21,185,187	195,269	(51,022)	21,329,434
Governmental Activities Capital Assets, Net	<u>\$ 41,103,518</u>	<u>\$ 424,402</u>	<u>\$ (51,022)</u>	<u>\$ 41,476,898</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 6,697,344	\$ 1,040,962	\$	\$ 7,738,306
Construction In Progress	7,061,983	8,930,527	(7,749,047)	8,243,463
Total Capital Assets Not Being Depreciated	13,759,327	9,971,489	(7,749,047)	15,981,769
Capital Assets, Being Depreciated:				
Land Improvements	1,871,013	26,233		1,897,246
Buildings and Improvements	42,814,472	913,711		43,728,183
Landfill	16,900,000			16,900,000
Equipment	105,841,763	12,240,819	(767,309)	117,315,273
Vehicles	32,500			32,500
Total Capital Assets Being Depreciated	167,459,748	13,180,763	(767,309)	179,873,202
Less Accumulated Depreciation For:				
Land Improvements	(1,307,508)	(80,945)		(1,388,453)
Buildings and Improvements	(16,103,928)	(1,821,754)		(17,925,682)
Landfill	(3,882,800)	(574,600)		(4,457,400)
Equipment	(73,492,351)	(8,538,822)	719,607	(81,311,566)
Vehicles	(29,250)			(29,250)
Total Accumulated Depreciation	(94,815,837)	(11,016,121)	719,607	(105,112,351)
Total Capital Assets, Being Depreciated, Net	72,643,911	2,164,642	(47,702)	74,760,851
Business-type Activities Capital Assets, Net	<u>\$ 86,403,238</u>	<u>\$ 12,136,131</u>	<u>\$ (7,796,749)</u>	<u>\$ 90,742,620</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

The Hardin Memorial Hospital has approximately \$6,130,000 of purchase commitments for equipment and capital projects as of June 30, 2004.

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 140,058
Protection to Persons and Property	427,938
General Health and Sanitation	39,059
Recreation and Culture	196,547
Roads, Including Depreciation of General Infrastructure Assets	<u>386,924</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,190,526</u>

Business-Type Activities

Solid Waste Fund	\$ 580,689
Hardin Memorial Hospital	<u>10,435,432</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 11,016,121</u>

Capital asset activity for the discretely presented component unit for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$ 24,745	\$	\$	\$ 24,745
Vehicles	20,939			20,939
Total Capital Assets Being Depreciated	45,684			45,684
Less Accumulated Depreciation For:				
Equipment	(14,010)	(2,684)		(16,694)
Vehicles	(4,187)	(4,188)		(8,375)
Total Accumulated Depreciation	(18,197)	(6,872)		(25,069)
Total Capital Assets, Being Depreciated, Net	27,487	(6,872)		20,615
Capital Assets, Net	<u>\$ 27,487</u>	<u>\$ (6,872)</u>	<u>\$ 0</u>	<u>\$ 20,615</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Depreciation expense was charged to functions of the discretely presented major component unit as follows:

Hardin County Planning and Development Commission	<u>\$ 6,872</u>
Total Depreciation Expense	<u><u>\$ 6,872</u></u>

**Note 6. Interfund Transactions**

The table below shows the interfund operating transfers for fiscal year 2004.

Transfers In	Transfers Out					Total
	General Fund	Jail Fund	Non-Major Governmental Funds	Jail Canteen Fund	Hardin Memorial Hospital	
General Fund	\$	\$	\$ 15,979	\$	\$ 564,981	\$ 580,960
Road and Bridge Fund	525,000		199,834			724,834
Jail Fund	2,670,000			62,512		2,732,512
Non-Major Governmental Funds	618,000	846,322	4,464			1,468,786
Total	<u>\$ 3,813,000</u>	<u>\$ 846,322</u>	<u>\$ 220,277</u>	<u>\$ 62,512</u>	<u>\$ 564,981</u>	<u>\$ 5,507,092</u>

Reasons for transfers: 1) to move resources from the General Fund, for budgetary purposes, to the fund that will expend them; 2) to move resources from funds recording the revenue to the fund making the debt service payments; and 3) to move resources from the permanent funds to the fund designated to receive the earnings

**Note 7. Operating Leases**

The Hardin Memorial Hospital leases office space and equipment under operating leases that have original terms greater than one year. Lease expense was \$681,901 for the year ended June 30, 2004. Future minimum lease obligations at June 30, 2004 are as follows:

Fiscal Year Ended June 30	
2005	\$ 459,589
2006	422,184
2007	422,184
2008	323,171
2009	<u>57,036</u>
Total Minimum Lease Payments	<u><u>\$ 1,684,164</u></u>



**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 8. Short-term Debt**

In July 2003, Hardin County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$5,755,200, with principal being due in January 2004. While the Fiscal Court did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$1,671.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
Revenue Anticipation Note	\$	\$5,755,200	\$5,755,200	\$	\$
<b>Governmental Activities</b>					
Short-term Liabilities	\$ 0	\$ 5,755,200	\$ 5,755,200	\$ 0	\$ 0

**Note 9. Long-term Debt**

A. General Obligation Refunding and Improvement Bonds, Series 2002

Hardin County Fiscal Court issued \$7,865,000 in General Obligation Refunding and Improvement Bonds dated February 15, 2002, to partially advance refund bonds of \$5,560,000 (\$4,490,000 of outstanding 1994 Series Bonds and \$1,070,000 of outstanding 1995 Series Bonds) issued by the Hardin County Building Commission, a blended component unit of the Fiscal Court, and to finance a \$1,500,000 detention center project. The final maturity date of the 2002 series bonds is December 1, 2021. As of June 30, 2004, bonds outstanding were \$7,610,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 90,000	\$ 297,261
2006	95,000	294,898
2007	560,000	285,191
2008	580,000	267,076
2009	600,000	246,861
2010-2014	3,330,000	874,490
2015-2019	1,555,000	326,216
2020-2022	800,000	58,188
<b>Totals</b>	<b>\$ 7,610,000</b>	<b>\$ 2,650,181</b>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**B. General Obligation Bonds, Series 1999**

Hardin County Fiscal Court issued general obligation bonds, series 1999, dated June 1, 1999, in the amount of \$15,400,000. The proceeds of the bonds were for the purpose of paying the costs associated with the additions, extensions, and improvements to the Hardin County Solid Waste Facility and for the purpose of financing costs of the refunding of the outstanding Hardin County Building Commission Revenue Bond Anticipation Notes, series 1996, dated July 1, 1996. The final maturity date is June 1, 2019. As of June 30, 2004, bonds outstanding were \$12,690,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-type Activities	
	Principal	Interest
2005	\$ 605,000	\$ 609,496
2006	630,000	584,389
2007	660,000	557,614
2008	690,000	528,904
2009	720,000	498,199
2010-2014	4,130,000	1,954,559
2015-2019	5,255,000	882,843
Totals	<u>\$ 12,690,000</u>	<u>\$ 5,616,004</u>

**C. Revenue Bonds, Series 1995**

Hardin County Building Commission, a blended component unit of the Hardin County Fiscal Court, issued revenue bonds, series 1995, dated December 1, 1995, in the amount of \$1,730,000 to be used in the construction of the Hardin County Detention Facility. Bonds of \$1,070,000 were partially advance refunded by the general obligation refunding and improvement bonds, series 2002. Principal and interest payments related to this amount will be made from the bond defeasance escrow account. As of June 30, 2004, Hardin County Building Commission is responsible for total bonds outstanding of \$155,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 75,000	\$ 5,485
2006	80,000	1,880
Totals	<u>\$ 155,000</u>	<u>\$ 7,365</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**D. Revenue Bonds, Series 1994**

Hardin County Building Commission, a blended component unit of the Hardin County Fiscal Court, issued revenue bonds, series 1994, dated December 1, 1994, in the amount of \$7,490,000 to be used in the construction of the Hardin County Detention Facility. Bonds of \$4,490,000 were partially advance refunded by the general obligation refunding and improvement bonds, series 2002. Scheduled principal and interest payments related to this amount will be made from the bond defeasance escrow account. As of June 30, 2004, Hardin County Building Commission is responsible for total bonds outstanding of \$705,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 340,000	\$ 33,170
2006	365,000	11,315
Totals	<u>\$ 705,000</u>	<u>\$ 44,485</u>

**E. Advance Refunding Bonds Escrow**

On February 15, 2002, Hardin County Fiscal Court partially advance refunded \$4,490,000 of outstanding 1994 Series Bonds and \$1,070,000 of outstanding 1995 Series Bonds issued by the Hardin County Building Commission, a blended component unit of the Fiscal Court. The bonds outstanding as of June 30, 2004, were \$4,490,000 for 1994 Series Bonds and \$1,070,000 for 1995 Series Bonds. As of June 30, 2004, the escrow account had a balance of \$6,078,461.

**F. Domestic Violence Center**

On June 1, 1995, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust for the renovation of a building to be used as a Domestic Violence Center. The principal was \$165,000 at an effective interest rate of 3.75 percent for a period of twenty years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$111,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 8,000	\$ 6,680
2006	8,000	6,184
2007	9,000	5,662
2008	9,000	5,103
2009	9,000	4,545
2010-2014	55,000	13,221
2015	13,000	470
Totals	<u>\$ 111,000</u>	<u>\$ 41,865</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**G. 911 Equipment**

On August 13, 1999, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust for the purchase of 911 equipment. The principal was \$229,349 at an effective interest rate of 2.06 percent for a period of five years, with interest and principal paid monthly. The principal outstanding as of June 30, 2004, was \$7,168. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 7,168	\$ 29

**H. Library and Landfill**

On June 25, 2001, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust to be used for the construction of a new County library and expansion of the Hardin County landfill. The principal was \$4,800,000 (\$1,300,000 for the library and \$3,500,000 for the landfill) at an effective interest rate of 4.50 percent for a period of fifteen years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$4,095,000 (\$1,105,650 for the library and \$2,989,350 for the landfill). Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 70,200	\$ 56,850	\$ 189,800	\$ 153,705
2006	72,900	53,083	197,100	143,520
2007	76,950	49,143	208,050	132,869
2008	81,000	44,990	219,000	121,640
2009	85,050	40,623	229,950	109,833
2010-2014	490,050	129,962	1,324,950	351,379
2015-2016	229,500	13,274	620,500	35,888
Totals	\$ 1,105,650	\$ 387,925	\$ 2,989,350	\$ 1,048,834

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**I. 911 Equipment**

On November 25, 2003, Hardin County Fiscal Court entered into an agreement with the Government Capital Corporation for the purchase of 911 equipment. The principal was \$111,588 for a period of five years, with interest and principal paid annually. The principal outstanding as of June 30, 2004, was \$111,588. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 20,197	\$ 5,574
2006	21,205	4,565
2007	22,265	3,506
2008	23,377	2,394
2009	24,544	1,226
Totals	<u>\$ 111,588</u>	<u>\$ 17,265</u>

**J. 911 Equipment**

On April 13, 2004, Hardin County Fiscal Court entered into an agreement with the Government Capital Corporation for the purchase of 911 equipment. The principal was \$40,610 for a period of five years, with interest and principal paid annually. The principal outstanding as of June 30, 2004, was \$40,610. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 7,973	\$ 1,417
2006	7,475	1,916
2007	7,914	1,477
2008	8,378	1,013
2009	8,870	521
Totals	<u>\$ 40,610</u>	<u>\$ 6,344</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**K. Landfill Expansion**

On May 26, 2004, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust for the expansion of the landfill. The principal was \$1,500,000 at an effective interest rate of 3.23 percent for a period of five years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$1,500,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-type Activities	
	Principal	Interest
2005	\$	\$ 66,164
2006	275,000	50,200
2007	285,000	38,851
2008	300,000	26,980
2009	315,000	14,462
2010	325,000	1,135
Totals	<u>\$ 1,500,000</u>	<u>\$ 197,792</u>

**L. Glendale Project**

On August 9, 2002, Hardin County Fiscal Court entered into a non-interest bearing loan agreement with the Kentucky Cabinet of Economic Development to provide funds to assist in purchasing a parcel of land at Glendale, Kentucky, to be used as a future manufacturing site. The loan provides for up to \$10,950,000, of funds and is for a period of ten years with an automatic renewal for another period of ten years. The principal outstanding as of June 30, 2004, was \$10,533,295. Fiscal Court is not required to repay any principal unless the land is sold. If the land is sold for net proceeds less than principal outstanding, the Fiscal Court is only required to repay principal in the amount of net proceeds received for the sale of the land. The loan is secured by a mortgage on the land.

**M. Landfill Closure Costs**

The Hardin County Fiscal Court is accumulating funds for the estimated closure costs of its landfill. As of June 30, 2004, the amount was \$910,050. See Note 11 for additional information regarding landfill closure costs.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

N. Hardin Memorial Hospital Long-Term Obligations

Hardin Memorial Hospital's, a blended component unit of the Hardin County Fiscal Court, long-term obligations for the year ended June 30, 2004 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Hospital Revenue Bonds:					
Series 1993A (4.34%)	\$ 1,255,000	\$	\$ 665,000	\$ 590,000	\$ 590,000
Series 1993B (5.08%)	16,350,000		16,350,000		
Series 2003 (3.21%)		16,935,000		16,935,000	755,000
Notes Payable	284,602		284,602		
Other Debt	18,706		18,706		
Less Unamortized Discount	(214,258)	(153,419)	(223,047)	(144,630)	
Deferred Bond Refunding		(785,224)	(53,538)	(731,686)	
Total Long-Term Obligations	<u>\$ 17,694,050</u>	<u>\$ 15,996,357</u>	<u>\$ 17,041,723</u>	<u>\$ 16,648,684</u>	<u>\$ 1,345,000</u>

The Hospital Refunding Revenue Bonds are collateralized by a pledge of revenues. The bond agreements require the Hospital to fund certain accounts, which are included in assets whose use is limited, to be used to pay principal and interest. Such agreements also contain several covenants and restrictions involving the source of additional debt, income available for debt service and use and operations of the Hospital.

On August 26, 2003, the Hardin Memorial Hospital issued \$16,935,000 of fixed rate demand hospital refunding revenue bonds Series 2003. The proceeds from the Series 2003 bonds were used to refund the Hospital's Series 1993B bonds (\$15,940,000 principal) and to pay the cost of issuance. Approximately \$16,250,000 of the bond proceeds were placed in trust for the purpose of paying the principal and interest on the 1993B series bonds on October 1, 2003.

The amounts of required principal and interest payments on the Hospital's long-term obligations at June 30, 2004 were as follows:

Fiscal Year Ended June 30	Business-type Activities	
	Principal	Interest
2005	\$ 1,345,000	\$ 549,275
2006	1,435,000	513,363
2007	1,455,000	484,463
2008	1,490,000	451,288
2009	1,530,000	409,713
2010-2012	4,860,000	916,531
2013-2015	5,410,000	330,000
Totals	<u>\$ 17,525,000</u>	<u>\$ 3,654,633</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Long-term Debt (Continued)**

**O. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,700,000	\$	\$ 90,000	\$ 7,610,000	\$ 90,000
Revenue Bonds	1,255,000		395,000	860,000	415,000
Notes Payable	10,533,295			10,533,295	
Financing Obligations	1,339,260	152,198	115,442	1,376,016	113,538
Governmental Activities Long-term Liabilities	<u>\$ 20,827,555</u>	<u>\$ 152,198</u>	<u>\$ 600,442</u>	<u>\$ 20,379,311</u>	<u>\$ 618,538</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 13,275,000	\$	\$ 585,000	\$ 12,690,000	\$ 605,000
Financing Obligations	3,168,200	1,500,000	178,850	4,489,350	189,800
Landfill Closure Costs	711,238	198,812		910,050	
Hospital Revenue Bonds	17,605,000	16,935,000	17,015,000	17,525,000	1,345,000
Notes Payable	284,602		284,602		
Other Debt	18,706		18,706		
Less Unamortized Discount	(214,258)	(153,419)	(223,047)	(144,630)	
Deferred Bond Refunding		(785,224)	(53,538)	(731,686)	
Business-type Activities Long-term Liabilities	<u>\$ 34,848,488</u>	<u>\$ 17,695,169</u>	<u>\$ 17,805,573</u>	<u>\$ 34,738,084</u>	<u>\$ 2,139,800</u>

**Note 10. Interest On Long-term Debt and Financing Obligations**

Under governmental activities, Interest on Long-Term Debt on the Statement of Activities includes \$68,451 in interest on financing obligations and \$361,746 in interest on bonds.

**Note 11. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill**

State and federal laws and regulations require the Hardin County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste.



**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 11. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill (Continued)**

Landfill closure and postclosure costs at June 30, 2004, are estimated at \$6,285,001 and \$1,237,288 respectively. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation. The projected date of closure is in the year 2028. No cost related to closure or postclosure care has been incurred to date. However, in December 2000, the County began contributing \$62,600 per quarter to a landfill escrow account to be used at closure. The balance of the account at June 30, 2004 was \$910,050. This is the amount reflected as a liability in the accompanying financial statements. As of January 7, 2004, approximately 27% of the landfill airspace had been used. The estimated remaining landfill life is 24 years.

**Note 12. Employee Retirement Systems**

**A. Hardin County Fiscal Court**

The Hardin County Fiscal Court, except for the Hardin Memorial Hospital, has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**B. Hardin Memorial Hospital**

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, Restated Retirement Plan (the "Plan") is a single-employer defined benefit pension plan covering substantially all employees. The Plan provides retirement, disability and death benefits to plan members and their designated beneficiaries. The Board of Trustees of the Hospital has the authority to establish and amend the benefit provisions of the Plan at any time. If the Plan is terminated, the Plan assets will be distributed among the Plan participants based upon a priority allocation procedure. The Hospital would then be liable for any unfunded vested benefits to the extent required by law.

The Plan does not issue a stand-alone financial report.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 12. Employee Retirement Systems (Continued)**

**B. Hardin Memorial Hospital (Continued)**

The principal assumptions used in accounting for the funded status of the defined benefit pension plan for 2003, 2002, and 2001 were as follows:

Average discount rates for accumulated plan benefits	8%
Investment return for funding purposes	8%
Salary increases	5%

The quoted market values of Plan assets are used to determine the actuarial value of assets as part of the funding method. The unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at June 30, 2004 varies from 16 to 30 years.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ 1,383,328	100%	0
June 30, 2003	1,840,872	100%	0
June 30, 2004	2,112,862	100%	0

Schedule of Funding Progress (Dollars in Thousands)						
Valuation Date	Actuarial Valuation of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Accrued Liability (Funding Excess) UAAL (FE)	Funded Ratio	Annual Covered Payroll	UAAL (FE) as a Percentage of Covered Payroll
July 1, 2001	\$ 29,228	\$ 32,503	\$ 3,275	90	\$ 39,005	8.40%
July 1, 2002	27,713	34,888	7,175	79	40,475	17.73%
July 1, 2003	28,179	37,112	8,933	76	45,508	19.63%

The entire cost of the Plan is borne by the Hospital. Therefore, active plan members are not required to contribute to the Plan. The Hospital is required to contribute at an actuarially determined rate. Contribution requirements are established and may be amended by the Board of Trustees of the Hospital. The annual required contribution for 2004 was determined as part of the July 1, 2003 actuarial valuation using the entry age normal, frozen initial liability method. The current funding rate is 4.6% of annual covered payroll.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 13. Postretirement Plan**

Effective with retirements on or after July 1, 1992, the Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, provides medical coverage to eligible retirees and their spouses. Retirees and their spouses are eligible to continue to participate in the same medical plan in which they participated while actively employed. This coverage ceases for both retirees and spouses upon attainment of age 65. The Hospital's contributions to fund post-retirement medical coverage were approximately \$185,000 in 2004.

The Hospital's contributions are calculated on a pay-as-you-go basis. As of June 30, 2004, the postretirement medical coverage plan had 45 participants. Retirees are required to contribute toward medical coverage at the same rate as active employees.

**Note 14. Insurance**

For the fiscal year ended June 30, 2004, Hardin County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 15. Medical Malpractice Claims**

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, is self-insured with respect to medical malpractice and general liability risks and has established a risk retention fund for the payment of medical malpractice and general liability claims settlements. Professional insurance consultants have been retained to assist the Hospital in determining liability amounts to be recognized, as well as amounts to be deposited in the risk retention fund.

The total accrued liability for medical malpractice and general liability claims reported and claims incurred but not reported at discounted present values was approximately \$1,358,000 at June 30, 2004. Included in the total accrued liability are malpractice and general liability claims incurred but not reported, at discounted present values, of approximately, \$1,258,000 at June 30, 2004. The discount rate used was 1.42%.

Net malpractice and general liability expense recognized was approximately \$1,003,000 for the year ended June 30, 2004. There were no material earnings offset against the malpractice and general liability expense for the year ended June 30, 2004. The Hospital also insures for medical malpractice losses through a stop loss policy with coverage beginning when claims exceed \$1,000,000 per claim and \$3,000,000 in aggregate.

**Note 16. Endowment Funds**

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, is the income beneficiary of endowment funds held in trust by outside parties. Unrestricted income received for the year ended June 30, 2004 was \$23,155. The principal of the funds (market value as of June 30, 2004 aggregated \$525,792) is not directly or indirectly controlled by the Hospital. Accordingly, such endowment funds are not included as assets on the Hospital's statement of net assets.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 17. Intergovernmental Transfer Agreement**

During fiscal year ended June 30, 2004, the Hardin County Fiscal Court entered into an agreement with the Commonwealth of Kentucky to serve as a method for transferring funds to the Commonwealth of Kentucky in order to qualify Hardin Memorial Hospital, a blended component unit of the Fiscal Court, for ongoing receipt of enhanced payments for services provided to Medicaid-eligible recipients. The Fiscal Court established a bank account that serves merely as a clearing account to remit funds transferred from the Hospital to the Commonwealth. For the year ended June 30, 2004, an amount of \$257,752 was passed through this account.

**Note 18. Fair Values of Financial Instruments**

**A. Long-Term Obligations**

The fair value of Hardin Memorial Hospital's, a blended component unit of the Hardin County Fiscal Court, long-term obligations is based on quoted market prices for the same or similar issues, giving the consideration to interest rates, maturity and other factors. The fair value of the Hospital's total long-term obligations was approximately \$17,558,000 at June 30, 2004

**B. Cash and Cash Equivalents, Investments and Other Items For Which Fair Value Disclosure Is Required**

The Hardin Memorial Hospital's, a blended component unit of the Hardin County Fiscal Court, carrying amounts reported in the Statement of Fund Net Assets for such items is fair value or approximates fair value.

**Note 19. Subsequent Events**

**A. General Bond Obligations, Series 2005**

Hardin County Fiscal Court issued \$3,790,000 in General Obligation Bonds (Solid Waste Project), Series 2005, dated February 1, 2005, for the purpose of landfill expansion. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Business-type Activities	
	Principal	Interest
2005	\$	\$
2006	600,000	92,477
2007	605,000	85,884
2008	620,000	70,759
2009	635,000	55,258
2010	655,000	38,590
2011	675,000	20,250
Totals	<u>\$ 3,790,000</u>	<u>\$ 363,218</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 19. Subsequent Events (Continued)**

**B. Change in Basis of Accounting**

Hardin County Fiscal Court has adopted the accrual basis of accounting for fiscal year ended June 30, 2005 to present the financial statements of the governmental activities, certain business-type activities, major governmental funds: General Fund, Road and Bridge Fund, and Jail Fund, two of the major enterprise funds: Jail Canteen Fund and Solid Waste Fund, and the aggregated non-major governmental funds. Certain accruals are required by accounting principles generally accepted in the United States of America that are not presently included under the modified cash basis of accounting the Hardin County Fiscal Court used to present the above mentioned financial statements for fiscal year ended June 30, 2004. The amounts by which these accruals will affect the financial statements for fiscal year ended June 30, 2005 are not reasonably determinable.

**Note 20. Changes in Accounting Principles and Prior Period Adjustments**

**A. Hardin County Fiscal Court**

**Beginning Net Assets**

The beginning net assets balance as of June 30, 2003 for governmental activities and business-type activities have been restated due to reclassification of component units, errors and omissions. The following is a reconciliation of net assets for June 30, 2003, as previously reported to the restated net assets balance for the same period.

	Governmental Activities	Business-Type Activities
Beginning net assets at June 30, 2003	\$ 27,505,132	\$ 9,395,977
Adjustments:		
Reclassified Hardin County Building Commission Net Assets from Business-Type Activities to Governmental Activities	6,885,402	(6,885,402)
Reclassified Hardin Memorial Hospital Net Assets from discretely presented component unit to blended component unit		108,164,748
Adjustment for unrecorded net capital assets	171,758	
Adjustment for addition error on capital assets (buildings)	(783,170)	
Adjustment for misrecorded/unrecorded cash and investments	40,444	
Adjustment for misrecorded principal on financing obligation	8,160	
Adjustment for unknown difference	3	
Restated beginning net assets at June 30, 2003	<u>\$ 33,827,729</u>	<u>\$ 110,675,323</u>

**Beginning Fund Balance - Governmental Funds**

The beginning fund balance for the Governmental Funds has been restated due to reclassification of a component unit and adjustments for misrecorded and unrecorded cash and investments. The Hardin County Building Commission, a blended component unit of the Hardin County Fiscal Court, has been reclassified from proprietary funds to governmental funds. The following is a reconciliation of governmental fund balance for June 30, 2003, as previously reported to the restated governmental fund balance for the same period.

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 20. Changes in Accounting Principles and Prior Period Adjustments (Continued)**

A. Hardin County Fiscal Court (Continued)

**Beginning Fund Balance - Governmental Funds (Continued)**

	Governmental Funds				
	General Fund	Road Fund	Jail Fund	Non-Major Funds	Total
Beginning fund balance at June 30, 2003	\$10,030,381	\$ 69,040	\$ 328,223	\$2,689,339	\$13,116,983
Adjustments:					
Reclassified Hardin County Building Commission from Proprietary Funds to Governmental Funds				458,392	458,392
Adjustment for misrecorded and unrecorded cash and investments				40,444	40,444
Adjustment for payroll liabilities expensed in fiscal year 2003	(64,053)				(64,053)
Restated beginning fund balance at June 30, 2003	<u>\$ 9,966,328</u>	<u>\$ 69,040</u>	<u>\$ 328,223</u>	<u>\$3,188,175</u>	<u>\$13,551,766</u>

**Beginning Fund Net Assets - Proprietary Funds**

The beginning total fund net assets and total cash for the Proprietary Funds have been restated due to reclassifications of component units. The Hardin County Building Commission, a blended component unit of the Hardin County Fiscal Court, has been reclassified from proprietary funds to governmental funds. In addition, the Hardin Memorial Hospital has been reclassified from a discretely presented component unit to a blended component unit of the Hardin County Fiscal Court. The following is a reconciliation of total fund net assets and total cash for June 30, 2003, as previously reported to the restated total fund net assets and total cash balances for the same period.

	Proprietary Funds	
	Fund Net Assets	Cash
Beginning fund net assets/cash at June 30, 2003	\$ 9,395,977	\$ 3,779,733
Adjustments:		
Reclassified Hardin County Building Commission from Proprietary Funds to Governmental Funds	(6,885,402)	(458,392)
Reclassified Hardin Memorial Hospital Net Assets from discretely presented component unit to blended component unit	<u>108,164,748</u>	<u>6,557,096</u>
Restated beginning fund net assets/cash at June 30, 2003	<u>\$ 110,675,323</u>	<u>\$ 9,878,437</u>

**HARDIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 20. Changes in Accounting Principles and Prior Period Adjustments (Continued)**

B. Hardin County Planning and Development Commission

The Hardin County Planning and Development Commission, a discretely presented component unit of Hardin County Fiscal Court, adopted the accrual basis of accounting during fiscal year ended June 30, 2004. The following is a reconciliation of net assets for June 30, 2003, as previously reported to the restated net asset balances for the same period.

Beginning net assets at June 30, 2003	\$ 254,154
Adjustments:	
Accounts payable	(3,320)
Compensated absences	(8,625)
Unearned revenues	<u>(171,271)</u>
Restated beginning net assets at June 30, 2003	<u><u>\$ 70,938</u></u>

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**HARDIN COUNTY  
BUDGETARY COMPARISON SCHEDULES  
REQUIRED SUPPLEMENTARY INFORMATION**

**For The Year Ended June 30, 2004**



**HARDIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 5,107,500	\$ 5,107,500	\$ 5,289,949	\$ 182,449
Excess Fees	725,000	725,000	704,798	(20,202)
Licenses and Permits	123,000	123,000	113,616	(9,384)
Intergovernmental Revenues	2,846,929	2,880,294	974,313	(1,905,981)
Charges for Services	2,469,810	2,469,810	2,569,433	99,623
Miscellaneous Revenues	148,900	148,900	328,237	179,337
Interest Earned	75,000	75,000	84,816	9,816
Total Revenues	11,496,139	11,529,504	10,065,162	(1,464,342)
<b>EXPENDITURES</b>				
General Government	2,001,356	2,001,356	1,789,729	211,627
Protection to Persons and Property	3,394,058	3,394,058	3,316,512	77,546
General Health and Sanitation	2,089,972	2,089,972	235,503	1,854,469
Social Services	511,276	511,276	407,969	103,307
Recreation and Culture	791,717	173,717	171,240	2,477
Administration	1,465,176	590,874	488,667	102,207
Fringe Benefits		874,302	797,116	77,186
Total Expenditures	10,253,555	9,635,555	7,206,736	2,428,819
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,242,584	1,893,949	2,858,426	964,477
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds			152,198	152,198
Transfers From Other Funds			580,960	580,960
Transfers To Other Funds	(3,391,908)	(4,069,180)	(3,813,000)	256,180
Total Other Financing Sources (Uses)	(3,391,908)	(4,069,180)	(3,079,842)	989,338
Net Changes in Fund Balances	(2,149,324)	(2,175,231)	(221,416)	1,953,815
Fund Balances - Beginning	1,981,027	2,181,472	9,966,328	7,784,856
Fund Balances - Ending	\$ (168,297)	\$ 6,241	\$ 9,744,912	\$ 9,738,671

**HARDIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>ROAD AND BRIDGE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses and Permits	\$ 12,000	\$ 12,000	\$ 11,820	\$ (180)
Intergovernmental Revenues	1,605,000	1,759,000	1,841,339	82,339
Charges for Services	15,000	15,000	17,814	2,814
Miscellaneous Revenues	110,000	69,166	51,838	(17,328)
Interest Earned	8,000	8,000	2,904	(5,096)
Total Revenues	<u>1,750,000</u>	<u>1,863,166</u>	<u>1,925,715</u>	<u>62,549</u>
<b>EXPENDITURES</b>				
General Government	10,350	10,350	9,481	869
Roads	2,590,014	2,590,014	2,373,130	216,884
Administration	305,063	45,463	43,507	1,956
Fringe Benefits		259,600	247,837	11,763
Total Expenditures	<u>2,905,427</u>	<u>2,905,427</u>	<u>2,673,955</u>	<u>231,472</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,155,427)</u>	<u>(1,042,261)</u>	<u>(748,240)</u>	<u>294,021</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>507,998</u>	<u>548,832</u>	<u>724,834</u>	<u>176,002</u>
Total Other Financing Sources (Uses)	<u>507,998</u>	<u>548,832</u>	<u>724,834</u>	<u>176,002</u>
Net Changes in Fund Balances	(647,429)	(493,429)	(23,406)	470,023
Fund Balances - Beginning	<u>464,852</u>	<u>464,852</u>	<u>69,040</u>	<u>(395,812)</u>
Fund Balances - Ending	<u>\$ (182,577)</u>	<u>\$ (28,577)</u>	<u>\$ 45,634</u>	<u>\$ 74,211</u>

**HARDIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 2,618,000	\$ 2,618,000	\$ 2,568,823	\$ (49,177)
Charges for Services	120,000	120,000	130,563	10,563
Miscellaneous Revenues	555,920	555,920	544,089	(11,831)
Interest Earned	8,000	8,000	5,130	(2,870)
Total Revenues	3,301,920	3,301,920	3,248,605	(53,315)
<b>EXPENDITURES</b>				
General Government	144,194	144,194	114,846	29,348
Protection to Persons and Property	3,806,155	3,806,155	3,678,978	127,177
Debt Service	846,322			
Capital Projects	300,000	300,000	226,556	73,444
Administration	1,337,558	458,171	430,651	27,520
Fringe Benefits		879,387	743,911	135,476
Total Expenditures	6,434,229	5,587,907	5,194,942	392,965
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(3,132,309)	(2,285,987)	(1,946,337)	339,650
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,883,910	2,943,182	2,732,512	(210,670)
Transfers To Other Funds		(846,322)	(846,322)	
Total Other Financing Sources (Uses)	2,883,910	2,096,860	1,886,190	(210,670)
Net Changes in Fund Balances	(248,399)	(189,127)	(60,147)	128,980
Fund Balances - Beginning	202,730	202,730	328,223	125,493
Fund Balances - Ending	\$ (45,669)	\$ 13,603	\$ 268,076	\$ 254,473

**HARDIN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**HARDIN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**June 30, 2004**

**HARDIN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**June 30, 2004**

<b>Special Revenue Fund</b>				
	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Emergency Shelter Fund</b>	<b>Library Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 888	\$ 15,000	\$	\$ 41,237
Investments				
Total Assets	<u>\$ 888</u>	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 41,237</u>
<b>FUND BALANCES</b>				
Reserved for:				
Permanent Funds	\$	\$	\$	\$
Unreserved:				
Special Revenue Fund	888	15,000		41,237
Debt Service Fund				
Permanent Funds				
Total Fund Balances	<u>\$ 888</u>	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 41,237</u>



**HARDIN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**  
**June 30, 2004**  
**(Continued)**

<b>Debt Service Fund</b>		<b>Permanent Funds</b>			
<b>Hardin County Building Commission Fund</b>	<b>Debt Service Fund</b>	<b>Fife Fund</b>	<b>Pauline Walker and Powell Duff Fund</b>	<b>Library Trust Fund</b>	<b>Total Nonmajor Funds</b>
\$ 458,195	\$ 32,697	\$ 5,295	\$	\$ 5,245	\$ 558,557
		1,966,700	776,859	87,206	2,830,765
<u>\$ 458,195</u>	<u>\$ 32,697</u>	<u>\$ 1,971,995</u>	<u>\$ 776,859</u>	<u>\$ 92,451</u>	<u>\$ 3,389,322</u>
\$	\$	\$ 270,000	\$ 459,526	\$ 75,000	\$ 804,526
458,195	32,697				57,125
					490,892
		1,701,995	317,333	17,451	2,036,779
<u>\$ 458,195</u>	<u>\$ 32,697</u>	<u>\$ 1,971,995</u>	<u>\$ 776,859</u>	<u>\$ 92,451</u>	<u>\$ 3,389,322</u>

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**HARDIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

**HARDIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>Special Revenue Fund</b>			
	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Emergency Shelter Fund</b>	<b>Library Fund</b>
<b>REVENUES</b>				
Intergovernmental Revenues	\$ 158,932	\$ 234,774	\$	\$ 97,145
Charges for Services				22,429
Miscellaneous Revenues			14,129	4,553
Interest Earned	622		5	117
Total Revenues	<u>159,554</u>	<u>234,774</u>	<u>14,134</u>	<u>124,244</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property		147,765		
Recreation and Culture				615,972
Debt Service			14,140	
Capital Projects		71,682		157,754
Administration				
Total Expenditures		<u>219,447</u>	<u>14,140</u>	<u>773,726</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>159,554</u>	<u>15,327</u>	<u>(6)</u>	<u>(649,482)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In From Other Funds		1		622,463
Transfers Out to Other Funds	<u>(159,000)</u>	<u>(328)</u>		
Total Other Financing Sources (Uses)	<u>(159,000)</u>	<u>(327)</u>		<u>622,463</u>
Net Changes in Fund Balances	554	15,000	(6)	(27,019)
Fund Balances - Beginning (Restated)	<u>334</u>		<u>6</u>	<u>68,256</u>
Fund Balances - Ending	<u>\$ 888</u>	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 41,237</u>

**HARDIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Debt Service Fund</b>		<b>Permanent Funds</b>			
<b>Hardin County Building Commission Fund</b>	<b>Debt Service Fund</b>	<b>Fife Fund</b>	<b>Pauline Walker and Powell Duff Fund</b>	<b>Library Trust Fund</b>	<b>Total Nonmajor Funds</b>
\$	\$	\$	\$	\$	\$
					490,851
					22,429
		203,920	77,236		299,838
1,678				4,461	6,883
1,678		203,920	77,236	4,461	820,001
					147,765
				46	616,018
458,878	394,719				867,737
					229,436
		2,680	3,727		6,407
458,878	394,719	2,680	3,727	46	1,867,363
(457,200)	(394,719)	201,240	73,509	4,415	(1,047,362)
457,103	389,219				1,468,786
		(40,834)	(15,652)	(4,463)	(220,277)
457,103	389,219	(40,834)	(15,652)	(4,463)	1,248,509
(97)	(5,500)	160,406	57,857	(48)	201,147
458,292	38,197	1,811,589	719,002	92,499	3,188,175
\$ 458,195	\$ 32,697	\$ 1,971,995	\$ 776,859	\$ 92,451	\$ 3,389,322

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable Harry L. Berry, Hardin County Judge/Executive  
Members of the Hardin County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hardin County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 13, 2005, wherein we issued a qualified opinion on the governmental activities, the General Fund, the Road and Bridge Fund, the Jail Fund, the Jail Canteen Fund, the Solid Waste Fund, and the aggregated non-major governmental funds because of the difference in the basis of accounting presented within these opinion units and that used to present the business-type activities, Hardin Memorial Hospital, and the discretely presented component unit. We did not audit the financial statements of the Hardin Memorial Hospital and the Hardin County Planning and Development Commission. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hardin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of Hardin County Fiscal Court, management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 13, 2005

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HARDIN COUNTY FISCAL COURT**

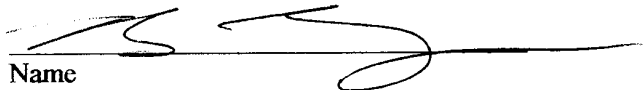
**For The Fiscal Year Ended  
June 30, 2004**



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**HARDIN COUNTY FISCAL COURT**

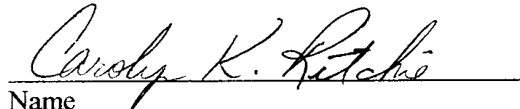
For The Fiscal Year Ended June 30, 2004

The Hardin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



\_\_\_\_\_

Name  
County Judge/Executive



\_\_\_\_\_

Name  
County Treasurer